

May 18, 2018

Exhibit 17

## MOODY'S INVESTORS SERVICE

### Rating Action: Moody's Downgrades NorthWestern Corp. to Baa2 from Baa1, Outlook Stable

18 May 2018

New York, May 18, 2018 -- Moody's Investors Service, ("Moody's") today downgraded the long-term ratings of NorthWestern Corporation (NWE) due to an extended period of weak financial metrics and a challenging regulatory relationship. NWE's senior unsecured bank credit facility is downgraded to Baa2 from Baa1; its First Mortgage Bonds are downgraded to A3 from A2 and NWE's commercial paper rating is affirmed at P-2. NWE's rating outlook is stable.

"Financial headwinds will keep NorthWestern's key credit ratios lower for longer," said Ryan Wobbrock, Vice President -- Senior Analyst "while repairing its relationship with Montana's regulators in front of an upcoming electric rate case."

#### RATINGS RATIONALE

NWE's regulatory relationship with the Montana Public Service Commission (MPSC), the company's primary regulator, has been below average compared to peers across the sector in recent years. For example, since 2015 NWE has 1) lost its ability to collect around \$7 million of annual fixed costs under the Lost Revenue Adjustment Mechanism, 2) was disallowed outage and replacement power costs during a 2013 unplanned outage at Colstrip Unit 4, 3) limited to 15 year visibility for any future contracted or owned generation cost recovery and 4) reduced recovery of Montana property taxes. Moody's also notes an open docket regarding electric supply costs, where the assured full recovery of those costs is also in question. While none of these events are punitive in and of themselves, in aggregate they evidence a consistent trend toward lower certainty of cost recovery and have a more material impact to ongoing cash flow.

Higher uncertainty around cost recovery could be mitigated by a stronger financial profile. NWE's cash flow from operations before changes in working capital (CFO pre-WC) to debt and CFO pre-WC less dividends to debt through LTM 1Q18 were 16% and 11%, respectively. While the company's metrics have shown improvement since 2016, these levels are more in-line with other Baa2 vertically integrated utilities which have averaged 17% and 13%, respectively, since 2016. We expect the peer ratios to fall by about 200 basis points, on average over the next two years, as a result of tax reform.

Montana regulatory decisions will be even more material over the next twelve months, since NWE plans to file a general rate case for its electric service and will seek recovery of, and on, additional investment. Since the company has invested primarily in distribution infrastructure, over this time, we expect that the vast majority of these costs will be approved and result in higher revenue. However, we also expect that the company will be granted a lower allowed ROE than the 10.25% currently awarded to the electric distribution business; this will temper some of the net income and cash flow benefit that could otherwise be generated by the incremental rate base.

Lastly, management estimates that Federal tax reform will create an incremental loss of at least \$15 million to \$20 million of cash flow on an annual basis, due to a reduced tax rate and the return of excess deferred tax collections to customers. We estimate this to translate into the loss of nearly 100 basis points in cash flow to debt metrics. This, combined with the financing of roughly \$320 million of annual capex over the next three years, will keep key financial metrics stagnant, despite the existing \$100 million equity distribution program and the 1Q18 reduction of around \$100 million of total debt.

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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## Rating Agencies - Senior Unsecured Credit Ratings

Debt Credit Ratings	Moody's	Fitch	S&P
Highest Grade Credit	Aaa	AAA	AAA
Very High Grade Credit	Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-
High Grade Credit	A1, A2, A3	A+, A, A-	A+, A, A-
Good Credit Grade	Baa1, Baa2, Baa3, Baa4	BBB+, BBB, BBB-	BBB+, BBB, BBB-
Investment Grade			
Speculative Grade Credit	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-
Very Speculative Credit	B1, B2, B3	B+, B, B-	B+, B, B-
Substantial Risks - In Default	Caa1, Caa2, Caa3, Ca	CCC, CC, C, RD, D	CCC+, CCC, CCC-, CC, C, D

Data as of 3/6/2018



# Impacts of Weak Credit Ratings

## Customers

- Higher customer bills
- Higher cost of capital could drive lower investments in the utility which may affect service quality

## Company

- Reduced access to capital due to higher risk
- Higher borrowing costs
- Higher cost of equity
- More collateral demands from suppliers
- More equity required to preserve financial health

## Shareholders

- More equity issued = higher share dilution
- Higher rate of return required due to higher business risk
- The above will result in a lower share price